

# Impact Developer & Contractor

## 2Q23 Results Review

*Opinion: After the close on Aug 31, Impact Developer & Contractor (Impact) reported its results for 2Q23. We consider the results were decent at the company derived revenues of RON 37.6mn (-28.8% y/y and +72.8.7% q/q). Due to a revaluation of its investment property portfolio, Impact derived a RON 44.6mn gain which resulted in an EBIT of RON 55,019 and net income of RON 42.5mn. We continue to monitor the way the company readjusts to increased costs of construction materials and workforce.*

In 2Q23 (per Figure 1) as at June 30, 2023, Impact had a balance of 403 pre-sale and reservation contracts, in total value of EUR 46.2mn. Those contracts will translate into sales, as apartments will be finalized in the following months. Also as of June 30, 2023, Impact had 1,631 units under construction (with building permits) of which 982 in different stages of construction. In 2Q23 costs of construction materials and workforce moderated and the company recorded a gross profit of RON 11.8mn (-34.9% y/y and 82.8% q/q). Impact's investment properties were valued as of June 30 2023 by independent professionals Colliers Valuation and Advisory who determined a gain in investment property of RON 44.6mn (a change in fair value). As a result, the Impact derived an EBIT of RON 55.0mn and a net profit RON 42.5mn. As of June 30, 2023 the group was involved in ongoing litigation, both as plaintiff and defendant; we continue to monitor these developments.

In 1H23 Impact sold 78 dwellings (vs 110 in 1H22). As a result, revenue from real estate inventories decreased at 1H23 to RON 59.4mn (-34.2% y/y). Nevertheless EBIT increased to RON 50.7mn (+169.1% y/y) due to gains from revaluation registered as at June 30 2023, as well as due to optimization of expenses. Also net profit was RON 34.4mn (+146.9% y/y), with a 58.1% margin.

**Outlook.** Impact has several on-going projects. It will continue the sales for completed dwellings in Luxuria Expozitiei, Greenfield Baneasa and Boreal Plus. Also commissioning of 732 apartments in Greenfield Baneasa (Teilor Project).

**Impact's area of focus - Bucharest metropolitan area - is the best performing region of the country.** Bucharest's metropolitan area economy is growing, and generates 26% of Romania's GDP. Impact focuses on the development of large residential complexes, both for the middle- and high-income segment. Per management, these housing concepts will be replicated in other major cities in Romania.

Real Estate Developer, Romania

## Impact Developer & Contractor

BUY

FV RON 0.322

17% upside

Price as of 31 Aug 2023 RON 0.275

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Figure 1. 2Q23 results

Type of expense/revenue (RON '000)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	Y/Y (%)	Q/Q (%)
<b>Revenue from real estate inventories</b>	<b>39,397</b>	<b>29,544</b>	<b>40,595</b>	<b>28,049</b>	<b>37,491</b>	<b>52,777</b>	<b>66,010</b>	<b>55,435</b>	<b>21,759</b>	<b>37,602</b>	<b>-28.8%</b>	<b>72.8%</b>
Gross profit	11,393	10,090	14,645	13,718	16,961	18,267	21,138	17,557	6,502	11,887	-34.9%	82.8%
Gross margin (%)	28.9%	34.2%	36.1%	48.9%	45.2%	34.6%	32.0%	31.7%	29.9%	31.6%		
Gains from investment property	0	0	0	86,651	0	0	0	90,057	0	44,637		
Operating expenses, net	7,310	6,610	10,744	12,865	8,767	7,542	16,338	7,047	10,783	-43,132		
Operating expenses % of revenue	18.6%	22.4%	26.5%	45.9%	23.4%	14.3%	24.8%	12.7%	49.6%	nmf		
EBITDA	4,228	2,556	4,205	88,783	8,475	10,961	6,568	100,491	-2,772	55,584	407.1%	nmf
EBITDA margin	10.7%	8.7%	10.4%	316.5%	22.6%	20.8%	10.0%	181.3%	nmf	nmf		
<b>EBIT</b>	<b>4,083</b>	<b>2,260</b>	<b>12,314</b>	<b>80,091</b>	<b>8,085</b>	<b>10,772</b>	<b>4,800</b>	<b>100,629</b>	<b>-4,281</b>	<b>55,019</b>	<b>410.8%</b>	<b>nmf</b>
EBIT margin	10.4%	7.6%	30.3%	285.5%	21.6%	20.4%	7.3%	181.5%	nmf	nmf		
<b>Net Profit (Loss)</b>	<b>-1,305</b>	<b>-1,466</b>	<b>10,278</b>	<b>71,293</b>	<b>6,049</b>	<b>7,907</b>	<b>1,012</b>	<b>84,755</b>	<b>-8,099</b>	<b>42,563</b>	<b>438.3%</b>	<b>nmf</b>
Net income margin	nmf	nmf	25.3%	nmf	16.1%	15.0%	1.5%	152.9%	nmf	nmf		

Source: Company, IPOPEMA Research

Impact's investment properties were valued at 30 June 2023 by independent professionals Colliers Valuation and Advisory SRL. They determined a gain in investment property of RON 44.6mn (a change in fair value). As a result, the EBIT at 1H23 was RON 50.7mn (+62% y/y) and net profit RON 34.5mn (59.5% y/y).

Figure 2. Impact 1H23 vs 1H22 results summary

Type of expense/revenue (RON '000)	6M22	6M23	Y/Y
<b>Revenue from real estate inventories</b>	90,268	59,361	-34.2%
Gross profit	35,228	18,389	-47.8%
Gross margin (%)	39.0%	31.0%	
<b>Gains from investment property</b>	-0	<b>44,637</b>	
Operating expenses (income) net of rental income	16,371	-32,349	
EBITDA	19,436	52,812	171.7%
EBITDA margin	21.5%	89.0%	
<b>EBIT</b>	<b>18,857</b>	<b>50,738</b>	<b>169.1%</b>
EBIT margin	20.9%	85.5%	
<b>Net Profit (Loss)</b>	<b>13,956</b>	<b>34,464</b>	<b>146.9%</b>
Net income margin	15.5%	58.1%	

Source: Company, IPOPEMA Research

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## Impact Developer & Contractor

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The definitions of terms used in the document include:

NII - Net interest income - interest income minus interest expense.

Net F&C - Net fee and commission income - fee and commission income minus fee and commission expense.

LLP - loan loss provisions - an expense set aside as an allowance for bad loans.

NPL - non-performing loan - loans that are in default or close to be in default.

Cost/Income - operating expenses divided by total banking revenue.

ROE - return on equity - net income (or adjusted net income) divided by the average shareholders' equity.

ROA - return on assets - net income (or adjusted net income) divided by the average assets.

EBIT - earnings before interests and tax.

EBITDA - earnings before interests, tax, depreciation and amortization.

EPS - earnings per share - the net income (or adjusted net income) divided by the number of shares outstanding.

P/E - price to earnings ratio - price divided by earnings per share.

PEG - P/E ratio divided by the annual EPS growth, usually over a certain period of time.

CAGR - compound annual growth rate.

BVPS - book value per share, the book value of the Company's equity divided by the number of shares outstanding.

P/BV - price to book value - price divided by the BVPS.

DPS - dividend per share - dividend of a given year divided by the number of shares outstanding.

DY - dividend yield - dividend of a given year divided by the current price.

DDM - dividend discount model - a fundamental method of valuation based on the assumption that the value of stock equals the sum of all discounted future dividends.

FV - Fair Value, calculated based on valuation methods outlined in the document.

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	Number	%
Buy	73	72%
Hold	21	21%
Sell	7	7%
Total	101	100%

### Rating History - Impact Developer & Contractor

Date	Recommendation	Fair Value	Price at recommendation	Author
03/29/2021	BUY	RON3.40	RON2.88	Florin Ciocoi
07/19/2021	BUY	RON0.61	RON0.52	Florin Ciocoi
02/27/2022	BUY	RON0.87	RON0.65	Florin Ciocoi
08/30/2022	BUY	RON0.52	RON0.45	Florin Ciocoi
12/12/2022	HOLD	RON0.41	RON0.387	Florin Ciocoi
06/31/2023	BUY	RON0.322	RON0.276	Florin Ciocoi